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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ  
RUEHNNEH RUEHPW RUEHROV RUEHSK RUEHSR RUEHVK RUEHYG  
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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2172

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4718

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2519

RUEHKO/AMEMBASSY TOKYO PRIORITY 2384

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2966

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

RUEHRC/USDA WASHDC

UNCLAS ASHGABAT 000093

SENSITIVE

SIPDIS

STATE FOR SCA/CEN, EEB

ANKARA FOR AGRICULTURE COUNSELOR

E.O. 12958: N/A

TAGS: EAGR ECON TX

SUBJECT: TURKMENISTAN RAISES FARMER COMPENSATION TO ENCOURAGE INCREASED PRODUCTION

REF: (A) ASHGABAT 81 (B) ASHGABAT 47

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: President Berdimuhamedov recently announced higher state prices paid to farmers for wheat and rice and increased 2009 crop production targets at an extended Cabinet meeting. The new prices are meant to encourage farmers to increase production and ensure a steady increase of domestically-produced food. They reveal the government's concern to improve the domestic food supply in the face of increasing food prices on the international market. However, inflation will eat away at these increases, making their impact negligible. Many farmers believe that only free market access will incentivize the agriculture sector to such an extent that an increase in real prices can take place. END SUMMARY.

#### NEW PRODUCTION TARGETS AND PRICES FOR WHEAT AND RICE

¶3. (U) At an extended Cabinet meeting held on January 15, in addition to a reshuffle of government officials (Ref A), President Berdimuhamedov announced new state targets for cotton and wheat production, as well as increased state prices paid to farmers for wheat and rice. The decree stated that Turkmenistan will produce 1,050,000 tons of cotton and 1,600,000 tons of wheat in 2009. Also in 2009, state procurement prices are 900 Turkmen manat (USD 315) per 1,000 kilograms of rice; 270 Turkmen manat (USD 94) per 1,000 kilograms of wheat. According to the decree, in 2010, the government will raise the wheat price to 400 Turkmen manat (USD 140). These new prices will significantly raise prices paid to farmers: for example, in 2008, the state paid 800,000 old manat (USD 56) per 1,000 kilogram of wheat and 1,000,000 old manat (USD 70) per 1,000 kilogram of rice. (NOTE: The exchange rate in 2008 was 14,250 manat per USD 1.)

BUT INFLATION WILL EAT INCREASED PAYCHECKS

¶4. (SBU) COMMENT: President Berdimuhamedov's new target for domestic wheat production -- which is close to double the amount of

wheat that Turkmenistan produced in 2008 (Ref. B) -- and increased state procurement prices for wheat and rice clearly indicate the government's concern about improving the domestic food supply in the face of increasing food prices on the international market. However, continuing inflation on the local market will eat away at these increases by the time the farmers get paid. Farmers who are alumni of U.S. Government exchange programs feel pessimistic about the true impact of the government's new prices and believe that only farmers' free access to the market will boost agricultural production and income. END COMMENT.

MILES